

To the Members of the California State Senate:

I am returning Senate Bill 697 without my signature.

I support efforts to improve the quality of child care and to increase the availability of child care. Unfortunately, collective bargaining would inappropriately limit the state's flexibility to determine reimbursement rates for state-subsidized child care. To the extent that family child care provider reimbursement rates for state-subsidized child care are increased, funding for child care programs would need to be increased. Such increases could come at the expense of the number of available child care slots or other child care services being reduced.

I am concerned that this bill results in providers caring for subsidized children being reimbursed at rates much higher than those which non-subsidized families can afford, state reimbursement payments would drive the market and make child care too costly for low-income families that are not receiving child care subsidies.

This bill has the potential to add significant fiscal pressure to the state's structural budget deficit and/or reduce the number working families for which subsidized child care slots could be provided by authorizing family child care providers to select a provider organization for the purpose of negotiating increased child care reimbursement rates and benefits with state entities that administer state-funded public subsidies for child care services. In light of the current structural budget deficit, it is imperative that we balance our fiscal reality and the need to provide services to working families.

In addition, I do not believe this bill is necessary because family child care homes currently receive prevailing market rates for their services. They are reimbursed for the state subsidized families they serve at same rate as that paid by the non-subsidized families they serve.

For these reasons, I am unable to sign this bill.

Sincerely,

Arnold Schwarzenegger